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A NEWSLETTER FOR PENSIONERS

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Teachers' Pension Plan Board  
Conseil du régime de retraite des enseignantes et des enseignants



Issue 12  
Spring 1996

## Keeping You Up-to-date On Pension Review

Over the years, we have modernized the way we administer the plan.

While updating and improving our systems and procedures, we discovered inconsistencies in member records.

After discovering the magnitude of these errors, we began conducting a thorough review of all pensions currently being paid.

### Program background

Our pension review program involves checking the accuracy of 50,000 pensions, some going back many years. When the program is completed, we estimate two-thirds of pension payments will remain unchanged and one-third, or approximately 16,000 pensions, will increase.

If pensioners have inadvertently been overpaid, their current pensions will be maintained. If pensioners have inadvertently been underpaid, a payment for past deficiencies, plus interest, will be made and their monthly payments will be corrected.

### What we've done so far

At the beginning of December 1995, we sent a letter to all members of the plan, both active and retired teachers, informing them of the program. Shortly after, we sent over 12,000 personalized pension statements to some of the pensioners who retired in 1984 or later verifying their pension calculations.

### Fast Facts

- average increase for eligible pensioners (approximately one-third) — \$25 per month
- average lump-sum retroactive payment — \$1,100
- average overpayment — \$10 per month (\$1,000 cumulative)

These statements informed pensioners whether or not they would qualify for an increase and how much of an increase they could expect. Of these, 2,900 received retroactive payments and pension improvements in December.

### What we're doing now

Since the first phase of this program was completed, we have been verifying the data for the remainder of pensions.

However, in some cases the databases and other records which were used to calculate the remaining pensions are considerably older and as a result, it will take some time to complete the next phase of the review.

Based on our current progress, we estimate we will send out the next phase of pension verifications late in 1996, with the remainder in 1997. ☺

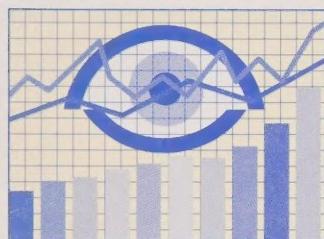
### What's Inside...

- ☞ Helping you understand the benchmark, page 2
- ☞ Letting you know when changes to the plan are made, page 4
- ☞ Determining the amount of tax taken off your pension, page 5



# How We Measure Performance Using Benchmarks

## Eye On Investments



When reviewing our investment performance, we often refer to 'the benchmark.' A benchmark is something that serves as a standard by which others are measured.

### Importance of benchmarks

Our goal is to beat the benchmark for each investment portfolio—we aim to increase value as much as possible. For example, over the past four years, we have added \$1.2 billion of extra value to the plan by beating the composite of all benchmarks.

The benchmark consists of external indices for stocks and bonds in different markets. We weight these to reflect our target asset mix. By doing this, we can see how we performed in managing the plan's assets compared with other investors making similar investments.

### 1995 performance

Our rate of return last year was 16.9%, slightly below the total benchmark figure of 17.2%. However, one year's performance is of limited significance to a pension plan such as Teachers'. Since the stock and bond markets can move up and down in the short term, longer-term averages of performance are more meaningful.

The chart below shows how we calculated our 1995 benchmark.

### What the headings mean

*Asset*—identifies portfolio

*Benchmark*—identifies external measure for specified asset group

*Benchmark Return %*—represents return for external benchmark source

*Target Weight %*—represents our ideal asset mix

## CALCULATING THE BENCHMARK

ASSET	BENCHMARK	BENCHMARK RETURN %	TARGET WEIGHT %	WEIGHTED RETURN %
Canadian stocks	TSE 300	14.5	30	4.4
U.S. stocks	S&P 500	33.9	14	4.7
Non-North				
American stocks	EAFE	7.5	17	1.3
Real estate	Frank Russell	4.1	5	0.2
Fixed income	Gov't of Canada/ Ontario spreads	21.1	30	6.3
Real rate bonds	CPI + 4.5%	6.3	2	0.1
Cash	91-day T-Bills	7.6	2	0.2
<b>TOTAL BENCHMARK</b>			<b>100</b>	<b>17.2</b>

*Weighted Return %*—is determined by multiplying the return percentage with the weight percentage (example— $14.5 \times 30\% = 4.35$ )

*Total Benchmark*—is determined by adding all of the weighted return percentages

### Composite benchmark

Not all companies use the same sources in the same manner to calculate their benchmark. However, we use the standard indices for the industry to create a composite benchmark. Our composite benchmark reflects general market results based on our asset mix.

#### 1995 Report To Members

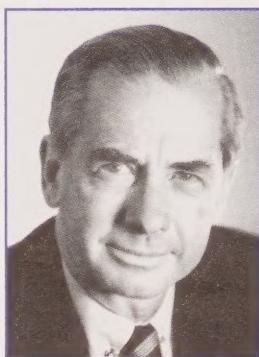
Look at the enclosed booklet for details on the indices we use to create this benchmark, plus more results from last year.

### Long-term results count most

To evaluate our long-term performance, we compare our rate of return with our composite benchmark. Even though we didn't beat the benchmark in 1995 (the first time this has happened), our four-year rate of return (12.1%) compared favourably to the benchmark's four year-rate (11%).



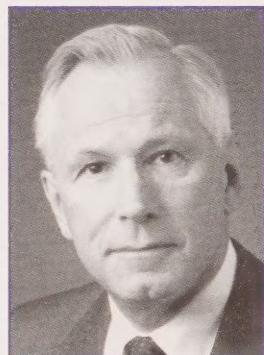
## Two New Directors Join Board



Korthals

Mr. Korthals replaces Ted Medland, who replaced Gerald Bouey as chairperson of the board in January.

Mr. Clarkson replaces John Clarry, who retired at the end of 1995.



Clarkson

Robert W. Korthals, former president of the Toronto-Dominion Bank and Geoffrey W. Clarkson, former senior partner of Ernst & Young (formerly Clarkson Gordon) are the newest members of the Board of Directors.

## Q & A You Asked Us

**Q.** *Why don't we receive financial planning advice from the board?*

*K. Thomas, Welland*

**A.** Members have often asked us to provide more detailed financial planning information, whether it's over the telephone or in written

communications such as this newsletter. Unfortunately, personal financial planning isn't our business and our customer service specialists aren't qualified to tell you how to manage your money.

However, we will answer any questions directly related to your pension and provide information on issues which may affect your pension money. Look for our new column called "Tips" for this type of information (debuts on page 5 of this issue). If you need personal investment advice, please continue to contact your tax advisor or financial planner.



# Keeping You Informed Of Changes To The Plan

*As we told you in our last issue of Pension News (Issue 11, Fall 1995), changes are periodically made to the plan by the Partners'.*

*We'd like to introduce a column informing you of any changes made to the plan. Please note that this column will only appear when a change or amendment is made which may affect your pension.*

## Disability Pensions

### Prior to June 1995

If you were receiving a partial disability pension, you could return to employment in education and still be entitled to your pension.

If you were receiving a full disability pension, you could not work. However, if you were receiving a partial disability pension, you could return to employment in education without affecting your pension as long as you didn't teach.

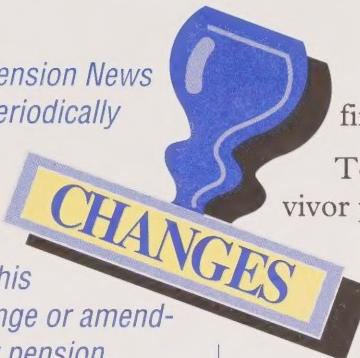
### Post-June 1995

If you are receiving a partial disability pension and become employed in education, in any capacity, your pension will stop.

## Marriage After Retirement

If you marry after retiring, you may be able to provide your new spouse with a survivor pension. As long as no previous spouse or children are eligible for survivor benefits, you can reduce your pension to make this provision. You must notify us and send us a copy of your marriage certificate or affidavit of common law relationship.

There is now a six month waiting period before a new spousal direction becomes effective. Therefore, if you die during the waiting period, the direction is not valid. Previously, the reduction was effective when we were notified.



Your pension will now be reduced the first of the month after the sixth month.

To provide your new spouse with a survivor pension, you must contact us within 90 days from the date the person becomes your spouse or within 90 days from the date an entitled child or former spouse becomes ineligible. If you miss this deadline, you will have to pass a medical examination.

## ▶ Reminders

### Snowbirds

Now that our long winter has finally ended, most snowbirds have found their way home. If you spent a lot of time in the U.S. this past winter, don't forget about the substantial presence test. This test is used by the U.S. Internal Revenue Service (IRS) to calculate the weighted average of the number of days you have spent in the U.S. in the past three calendar years.



You must file a Closer Connection Exemption or a U.S. tax return claiming a treaty exemption by June 15, 1996 if you "pass" the test. If you have additional questions, please contact your tax advisor or the IRS directly at (613) 563-1834.

## Moving?

Don't forget to tell us if you move. You can write to us or contact us at the address below.

Phone: (416) 226-2700 or 1-800-668-0105

Address: Teachers' Pension Plan Board  
5650 Yonge Street  
North York, Ontario  
M2M 4H5



# Make Your Money Work



*Though we're not financial planners, we want to provide you with information to help you make educated financial decisions. Our new column, "Tips" will concentrate on the following:*

- government legislated changes,
- tax information, and
- investment options.

*For example, the federal budget, announced in early March, included several changes affecting retired Canadians. We'll review some of these with you and inform you of future changes. Our first column provides a tax tip.*

## Tax on your pension

By now, everyone should have sent their completed income tax return to Revenue Canada. Some of you can look forward to, or may have already received, a refund, while others may owe money. Depending on your situation, you may wish to increase or decrease the amount of tax taken off your pension.

Why? If you owe money, increasing the amount of tax taken off your pension may help you reduce the amount you owe next year (assuming there are no substantial changes in your income level). If you are receiving a refund, one of the reasons may be because we're taking too much tax off your pension now.

For example, you may have previously asked us to increase the amount of tax taken off your pension as a way of forcing yourself to save money (see box). If you're getting a refund, you may wish to decrease the amount so you

We can't reduce the amount of tax deducted below the amount required by Revenue Canada.

can have the money at your disposal throughout the year.

Having extra tax taken off your pension isn't the best way to save money.

Even if you do get a refund, the money hasn't earned any interest. Even though it may be difficult, consider taking the same amount of money each month and depositing it into an interest-generating account/investment.

## How to notify us

There are three different ways you can request a change.

1. **TD3 form** (Request for Income Tax Deduction)—produced by Revenue Canada, is used only for this purpose.
2. **TD1 form**—also produced by Revenue Canada, but more general than the TD3. You must complete the appropriate section(s) and then return it to us.
3. **Personal letter**—write to us and indicate either a dollar amount per month or the percentage of gross pension you want deducted.

You can notify us at any time during the year. You may also wish to use a TD1 to inform us of any change in your deductibility status. For example, your tax status may change when you turn 65 (depending on your income level), if you become disabled, etc.

Generally, if we receive the form some time during the first half of the month, your pension will be adjusted accordingly for that month. For example, if we receive your request by mid-June, your June payment will reflect the change. If we receive your request in the later half of June, your July payment will reflect the change.

TD3 and TD1 forms are available at your local Revenue Canada income tax office.



# Sharing Your Retirement With Us

**TELL US**

*Since we introduced this column four years ago, we've received many interesting retirement stories. Many of you have been able to more seriously pursue some activities which were only hobbies while you were teaching—writing, travelling and creative arts being the most popular. However, for some pensioners, having the chance to volunteer time to their favourite organization, church, etc. has been the most rewarding aspect of their retirement. Here are three examples.*

## David Farmer, Scarborough, Ontario

- 79 years old, retired June 1980
- Scarborough Support Services for the Elderly—began delivering Meals on Wheels, along with his wife Verna, in 1982
- was invited to serve on the Board of Directors and eventually became President
- organization provides meals, transportation for shopping and appointments, outdoor work

*"Consorting with like-minded, socially conscious service club personnel, politicians, church and community centre workers is a continuing exhilaration."*

## Tsan-tzu Lee, Willowdale, Ontario

- 63 years old, retired June 1994
- began "Friendhood"—program which attempts to close the gap between youth and seniors
- students visit seniors' home and participate in various activities i.e. recitals, plays, speeches, etc.

**IF YOU HAVE an interesting retirement story please let us know.**

- while teaching, involved students in the Red Cross program—was honoured in 1987 for distinguished service

*"I did what I liked, I never thought about what I would receive."*

## Madeleine Honeyman, Ottawa, Ontario

- 83 years old, retired June 1978
- after retirement, volunteered at a psychiatric hospital for two years
- began working with Alzheimer patients and their families—helped start an Alzheimer chapter in Ottawa and later became first president of its Ontario association
- also involved with protecting rights for people declared incompetent, as well as investigating elder abuse

*"I often feel I never worked until I retired 18 years ago."*

## Pension News

*Pension News* is published for pensioners by the Communications Department of the Teachers' Pension Plan Board.

If you have any comments or ideas, call me at (416) 730-5357 or write to:

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